

The Deputy Director of Central Intelligence

Washington, D. C. 20505

ER 88-2213

May 24, 1988

Mr. Tom Polgar

STAT

Dear Tom:

Thanks for your letter of May 5 enclosing the Safire article and commenting on it.

We in the Agency find ourselves in a very odd position with respect to the current state of the Soviet economy. No other institution has been as rigorous as we over the past dozen years in identifying and highlighting for policymakers the serious economic problems of the Soviet Union, from the machine building industry to agriculture to the energy sector to the sorry plight of the consumer. We found during that period that many people tended to discount our concerns about the economy and the consequences for Soviet economic and technological performance and competitiveness and, even now, believe we are too pessimistic.

By the same token, people of a different political view were unhappy with us for not pressing the point of serious Soviet economic problems to forecast the collapse of the system. Indeed, our observations as to the huge latent economic wealth of the Soviet Union, if in no other area than in natural resources, and its ability to produce basic goods were the cause of considerable frustration and annoyance with this Agency.

In short, our work on the Soviet Union for years has been criticized both by those who think we have been too optimistic about Soviet chances for muddling through and those who think we are too pessimistic about the prospects for real improvement.

One of the points that I have made consistently (and judging from your letter, I think you would agree) is that in many respects GNP, the state of the consumer, and so forth have



L-203-1R

had relatively little to do with Russia's role as a power on the international scene. Russia was never competitive economically with its European adversaries from the 16th century on. Its armies always were technologically at least one step behind its adversaries. But, as you know, the fact is that the Russians and then the Soviets have survived and prevailed because of their relentlessness and their ability to put more in the field than anyone else. Also through their own wit or through technology theft, they have managed to keep their military forces competitive. In specific areas in which they choose to devote the resources, their technological innovations and advances can rival if not exceed those of our own. While our technology in the laboratory may be significantly more advanced than theirs, it is often the case that the technology that they actually deploy to the field is equal if not superior to that which we eventually field given delays and our inability to freeze technology to get on with production and deployment. The best example is that it is the Soviet Union and not the United States that has a deployed mobile ICBM (and two of them to boot).

All of which is to say that Soviet economic developments do not correlate well to its military power. And, I agree with you that it would be a serious error "to conclude from the obvious and lasting contrasts in the socioeconomic and industrial standards that the Soviet Union is weak."


After two of his articles appeared, we invited Bill Safire here for lunch to try to explain a good deal of this, but I'm afraid we made little headway.

It was good to hear from you. Thanks for your offer to participate in any competitive analysis we might organize with respect to the Soviet economy. I will pass it along to the analytical folks.

Sincerely,



Robert M. Gates

DDCI/RMGates/de 

DISTRIBUTION: (all copies with incoming)

- 0 - Addressee
- 1 - DDI
- 1 - D/SOVA
- 1 - ER
- 1 - DDCI Chrono

STAT

TOM POLGAR

STAT

May 5, 1988

The Honorable  
Robert M. Gates  
Deputy Director Central Intelligence  
Washington, D. C. 20505

Dear Bob :

The enclosed article impels me to write to you. I am as much of a Soviet expert as Bill Safire and I have been at it a lot longer.

Americans have misestimated on the Soviet Union since 1917 when the American Embassy in Petrograd cabled that "impossible for the Soviet government to last long."

U. S. estimates buried the Soviet Union in the summer and fall of 1941. We continued on the same false track after the second World War by underestimating Soviet technological capacity and by overemphasizing military capabilities while giving little weight to the logic of history and to Soviet intentions.

For some seventy years now U. S. social, cultural and political bias have interfered not only with objectivity but also led to disregarding the facts of history along with the truly fundamental differences between the two countries.

Leon Trotzky wrote in 1929 that "the fundamental and most stable feature of Russian history is the slow tempo of development, with economic backwardness, primitiveness of social forms and low level of culture resulting from it."

Every strong ruler of Russia, even some of the weaker ones, felt the need for more rapid economic progress. Each had his own version of perestroika and several have experimented with varying degrees of glasnost. Most notably Ivan the Terrible, Peter the Great and the Czars

(continued)

- 2 -

Alexander I and II had major successes in economic restructuring but Russia proved to be too big, too heterogeneous and with too bad a climate to permit rapid, sustained and even development of the economy.

Then came Lenin with his New Economic Plan. Even Stalin wanted perestroika. In February 1931 he proclaimed that "we must no longer lag behind... must put an end to backwardness in the shortest possible time and develop genuine Bolshevik tempo in building up the socialist system of economy..."

Twenty-five years later President Eisenhower said that in a four-hour session he had with Stalin "damn near all he talked about was the essential things his people needed -- homes and food and technical help..."

Since then the gap between the Soviet Union and the Western world decreased in many respects, but the Soviet Union will never be like Denmark, or Canada or the United States. Predominantly constructive changes in the political and psychological climates since the death of Stalin have continued under all of his successors. In 1954 Emmet John Hughes reporting from Moscow claimed that "authority and austerity, in their Stalinist extremes, were fast slipping from fashion as the new bourgeoisie of Soviet bureaucracy both sighed with relief at the curbing of secret police powers and sighed with longing for more decent consumer goods in homes and stores."

There have been and will be changes in the Soviet Union but the differences in standards between Russia and the Atlantic community -- firmly established by the fifteenth century -- will not be eliminated. This has nothing to do with communism. I remember my father telling me stories about the backwardness of Russia, based on his experiences there as a Hungarian officer in World War One.

(continued)

- 3 -

It would be a terrible error to conclude from the obvious and lasting contrasts in the socio-economic and industrial standards that the Soviet Union is weak, or that its relative backwardness in comparison with the consumer-oriented societies could be exploited to gain military or political advantage.

I see no grounds for believing that Gorbachev wants anything other than a more efficient, and if possible also more humane, communist regime.

Bill Safire raised the possibility of putting stresses on the Soviets until they reduced their empire. In the long history of Russia this has never worked. Despite economic hardships and personal inconvenience, the Russians have always rallied in face of external pressures. It follows that a mutually more comfortable and less expensive co-existence with the Soviet Union could be secured only through discussions based on mutual respect and with proper regard for the principles of quid pro quo.

If you do form a "Team B" I would love to contribute my operational background and practical experience to such an exercise.

Sincerely yours

A handwritten signature in cursive script, reading "Tom Polgar". The signature is written in dark ink and is positioned below the typed name "Tom Polgar".

## ESSAY | William Safire

## Through New Eyes

WASHINGTON

**T**wo recent articles in this space registered close to 7 on the MEGO (My Eyes Glaze Over) Scale.

Their import was that glasnostic revelations out of the Soviet Union show that the Soviet economy is much smaller than we thought it was, which means that the Kremlin is under far greater pressure than we imagined to reduce its spending on defense and empire.

If true, these revised estimates of Soviet growth would knock ski-whiffy our most cherished intelligence assumptions, and be of considerable use to the President at the Moscow summit.

One reader did not yawn. He is William Webster, former Federal judge and F.B.I. Director, who is now the Director of Central Intelligence.

Director Webster called to say cheerfully "maybe somebody knows something we don't," and invited me and a Times colleague to an on-the-record luncheon session with his Soviet experts, who must be uneasy about findings from outside economists who are looking at previous Kremlin and C.I.A. estimates with new eyes.

At the lunch (the shrimp bisque at the C.I.A. beats the borscht at the K.G.B.), I allowed in a friendly way that bureaucratic inertia might be keeping the truth about negotiating pressure points from our policy planners. That caused Robert Gates, the Deputy D.C.I., to bridle.

"What I'm bridleing at," he said, "is

fense, including cost of empire, was 20 percent, compared with 6 percent in the U.S.; the Pentagon's Office of Net Assessment said 23 percent, and outsiders "Harry and Charlie" (Heary Rowen of Stanford, Charles Wolf of Rand) about 25. Not such a big spread.

Our neo-specks are all dedicated public servants, but minimize a deepening disagreement. I checked around afterward. The C.I.A. estimates the size of the Soviet economy today to be over half that of the U.S., at \$8,300 per capita income; but the new-eyes consensus is little more than a third of the U.S. — as low as \$3,000 per capita.

To figure out the percent of G.N.P. going to defense, both insiders and outsiders use the same C.I.A. estimates of Soviet military spending. But using the new numerator of a shrunk Soviet G.N.P., our new-eyes crowd comes up with the possibility of 35 percent in arms spending, a burden on Moscow nearly twice as heavy as now estimated by the C.I.A. If the new eyes are right, Mr. Gorbachev is negotiating from underlying weakness.

Well, isn't it time to set up a Team B, I asked, pocketing an agency ashtray, to present a different view of reality?

"We're always open to reassessment," said Judge Webster, adding judicially, "but I haven't seen enough yet to get me exercised." Mr. Gorbachev has admitted only that the Soviet rate of increase, not economic growth itself, has stagnated.

But the D.C.I. would not have exposed his staff to this lunch if he were not concerned. His deputy, Robert Gates, offhandedly added: "Probably after the Soviet policy conference in June, we will bring in a group of different guys."

But Team B is already in informal existence, and it's foolish to wait until after the Moscow summit meeting to get its different view before the President. Among its members are Richard Ericson of Columbia, Greg Grossman of Berkeley, the Swedish economist Anders Aslund, and Harry and Charlie.

Nobody yet knows if the new-eyes assessment is on the mark. But we do know that the purpose of our vast intelligence system is to discover the truth, not to cover its institutional posterior. Not for nothing, as Muscovites say, is the piece of art on Judge Webster's desk a replica of the sculpture by Heckli Seppa titled "The Search."

We may all have been egregiously wrong about the erosion of the Soviet Union's internal strength. The political debate ahead here should be about the wisdom of helping it recover, or stressing it until it reduces its empire, or just leaving it alone.

First task is to search out the true size of our adversary. Appoint a Team B. □

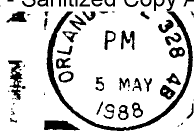
## How strong is the Soviet economy?

that we've taken steps to bring in outsiders, especially on the Soviet economy, in '83 and again in '85. What we do here is published by Congress and exposed to the country. The outsiders' view is a different view, but it's the same different view."

Ah, but much has changed since 1985, I countered; the once-outcast Soviet economist Grigory Khanin published a blast at the previous figures in Novy Mir, and Mikhail Gorbachev seems to have embraced that much lower analysis. The "new eyes" crowd in the U.S. followed that, zagging while the C.I.A. continued to zig.

Not so, said the C.I.A. Soviet experts present. Their own estimate of the percent of Soviet G.N.P. devoted to de-

Declassified in Part - Sanitized Copy Approved for Release 2012/07/23 : CIA-RDP90G01353R001300110004-6



The Honorable

Robert Gates

Deputy Director Central  
Intelligence

CIA

Washington, D. C. 20505

